



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
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DATE: January 10, 2014

TO: Children, Families, Health, and Human Services Interim Committee

FROM: Lois Steinbeck, Senior Fiscal Analyst
Stephen Forrest, Fiscal Analyst II
Cynthia Hollimon, Fiscal Analyst I

RE: CHIP Bonus – Potential Offset to Projected General Fund Cost Overrun

FEDERAL FUNDS AVAILABLE TO OFFSET PROJECTED GENERAL FUND COST OVERRUN

The Department of Public Health and Human Services (DPHHS) is estimating that general fund costs will exceed FY 2014 general fund appropriations by \$10.2 million, with \$7.1 million due to Medicaid services costs. Montana received \$2.5 million more in federal Children's Health Insurance Program (CHIP) bonus payments than anticipated by the legislature. The excess bonus payment could be used to reduce the potential general fund shortfall. The \$2.5 million in excess bonus payments are in addition to the \$4.6 million in other funding sources that could be used to offset/reduce the projected general fund cost overrun. Furthermore, Montana is eligible to receive another CHIP bonus grant estimated at \$7.0 million that is above amounts appropriated in HB 2.

Actual and Potential Federal CHIP Bonus Funds Available to Offset Projected General Fund Shortfall

HB 2 Appropriation/Actual Grant and Excess Grant Funds/Potential Future Grant	Biennial Appropriation
<u>HB 2 Appropriation</u>	
Child Care - Best Beginnings STARS	\$2,400,000
Montana State Hospital Overtime	2,000,000
Prevent Jail Suicide Funds	<u>250,000</u>
Total HB 2 Appropriation	<u>\$4,650,000</u>
Actual Grant Award - FFY 2012*	<u>7,185,000</u>
<u>Actual/Potential Offset for Projected General Fund Overrun</u>	
Actual Funds - Remainder of FFY 2012* Grant	2,535,000
Potential Funds - Estimated FFY 2013* Grant	<u>7,026,000</u>
Total Potential Offset	<u>\$9,561,000</u>

FFY is federal fiscal year.

Source: Federal Funds Information for States

The adjacent table shows the functions supported by the CHIP bonus payment as appropriated by the legislature for the 2015 biennium, excess funds available from the most recent bonus payment, and the additional potential bonus funds for FFY 2013. Both the FFY 2012 and FFY 2013 bonus payments can be spent during the state 2015 biennium.

In summary:

- 1) There is \$2.5 million in excess CHIP bonus funds that were not appropriated by the legislature;
- 2) There is a potential to receive an additional \$7.0 million in CHIP bonus funds that were not appropriated by the legislature;
- 3) Up to \$9.6 million in CHIP bonus payments could be available during the 2015 biennium to mitigate the projected general fund shortfall in FY 2014.

Bonus Payments Appear to be One-Time Funds

The CHIP bonus payment program expires in FFY 2013. To date, there has not been Congressional action to extend the program. Many of the activities tied to incentive payments are now practices required by the Affordable Care Act (ACA). It appears likely that the bonus payments may not be an ongoing source of funding.

Potential Uses of CHIP Bonus

The CHIP bonus can be used to fund a wide variety of DPHHS activities. The most significant prohibition is that the bonus cannot be used to match federal funds. Therefore the funds cannot be used in place of the general fund used as state Medicaid match.

However, DPHHS could use the CHIP bonus to pay other costs that are currently funded from the general fund. DPHHS could offset general fund costs that are:

- o Designated as one-time appropriations
- o Appropriated as if they are one-time costs
- o Projected to exceed HB 2 appropriations

Examples of general fund costs that could be offset include:

- o Overtime pay at state facilities
- o Several one-time appropriations such as those for housing assistance for persons transitioning from facility based care to community services and traumatic brain injury services
- o Positions that are in addition to the permanent FTE level funded by the legislature

If DPHHS used the federal CHIP bonus funds to pay these types of costs, it would free up general fund that could be used to offset the projected cost overrun in Medicaid and it would not supplant ongoing funding with a one-time source of money.

Legislative Issue

Legislators may wish to ask DPHHS how it will use the CHIP bonus payments and whether the payments will be specifically used to mitigate the projected general fund shortfall.